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FM AMCONSUL SAO PAULO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9061  
INFO RHEHNSC/NATIONAL SECURITY COUNCIL WASHDC IMMEDIATE  
RUEHBR/AMEMBASSY BRASILIA PRIORITY 0205  
RUEHRI/AMCONSUL RIO DE JANEIRO PRIORITY 9080

UNCLAS SAO PAULO 000186

SIPDIS

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SUBJECT: MEDIA REACTION - GLOBAL ECONOMY: FINANCIAL CRISIS; SAO PAULO; OBAMA TRIES TO AVOID NATIONALIZATION; DOUBTFUL SUCCESS OF PLAN TO CAPITALIZE BANKS IN U.S.

Title- Obama tries to avoid nationalization

Editorial in center-right Estado de S. Paulo (3-25) states: "The new plan to capitalize U.S. bank is President Obama's last attempt to solve the problem without having to resort to nationalization....For the government this is a high risk moment. If it goes well, President Obama will have solved a huge problem without having to negotiate political support for nationalization. If it goes badly, it will have compromised more money and will have wasted time and maybe he, who will then be politically weakened, will need to nationalize banks."

Title- Doubtful success of plan to capitalize banks in U.S.

Editorial in business oriented Valor Econtmico (3-25) says: "....The indirect path was taken [in the U.S.] to by-pass two problems. The first, a real one, was to avoid having to ask Congress for a hundred billion more dollars that would be required if direct intervention, nationalization [of banks] or more capital injection was chosen. The second one, to avoid, under doubtful premises is for the State to evaluate those assets...there are good chances that this plan will not work. One of the bad signs given by the government was its defensive attitude [in defense of the plan]."

WHITE